

AMENDED IN ASSEMBLY SEPTEMBER 10, 2013

AMENDED IN ASSEMBLY SEPTEMBER 6, 2013

AMENDED IN SENATE APRIL 1, 2013

SENATE BILL

No. 398

Introduced by Senator Galgiani

February 20, 2013

An act to amend Sections 19556 and 19605.7 of the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

SB 398, as amended, Galgiani. Horse racing: distribution of proceeds.

Existing law requires each licensed racing association to designate a certain number of racing days to be conducted as charity days, and requires the net proceeds from those charity days to be distributed to beneficiaries who meet certain qualifications. Existing law also requires distributions to be made to certain nonprofit corporations and organizations, and requires that at least 20% of the distributions go to charities associated with the horse racing industry.

This bill, in addition to those required distributions, would authorize a separate distribution to be made to a nonprofit corporation or trust that has as its sole purpose the support of recognized fairs or the network of California fairs.

Existing law requires that the total percentage deducted from wagers at satellite wagering facilities in the northern zone be the same as deductions for wagers at the racetrack where the racing meeting is being conducted. Existing law, until December 31, 2013, requires a certain amount to be distributed to a specified organization formed to operate the audiovisual signal system, with the mutual consent of the racing

association, the organization representing the horsemen participating in the meeting, and the ~~board~~, *California Horse Racing Board*, and, beginning January 1, 2014, provides for a distribution for those purposes in accordance with a revised method of calculation.

This bill would extend those dates from December 31, 2013, to December 31, ~~2019~~, 2016, and from January 1, 2014, to January 1, ~~2020~~, 2017, respectively.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 19556 of the Business and Professions
2 Code is amended to read:
3 19556. (a) The distribution shall be made by the distributing
4 agent to beneficiaries qualified under this article. For purposes of
5 this article, a beneficiary shall be all of the following:
6 (1) A nonprofit corporation or organization entitled by law to
7 receive a distribution made by a distributing agent.
8 (2) Exempt or entitled to an exemption from taxes measured by
9 income imposed by this state and the United States.
10 (3) Engaged in charitable, benevolent, civic, religious,
11 educational, or veterans' work similar to that of agencies
12 recognized by an organized community chest in the State of
13 California, except that the funds so distributed may be used by the
14 beneficiary for capital expenditures.
15 (4) Approved by the board.
16 (b) At least 20 percent of the distribution shall be made to
17 charities associated with the horse racing industry. In addition to
18 this 20 percent of the distribution, another 5 percent of the
19 distribution shall be paid to a welfare fund described in subdivision
20 (b) of Section 19641 and another 5 percent of the distribution shall
21 be paid to a nonprofit corporation, the primary purpose of which
22 is to assist horsemen, horsewomen, and backstretch personnel who
23 are being affected adversely as a result of alcohol or substance
24 abuse. No beneficiary otherwise qualified under this section to
25 receive charity day net proceeds shall be excluded on the basis
26 that the beneficiary provides charitable benefits to persons
27 connected with the care, training, and running of racehorses, except

1 that type of beneficiary shall make an accounting to the board
2 within one calendar year of the date of receipt of any distribution.

3 (c) (1) In addition to the distribution pursuant to subdivision
4 (b), a separate 20 percent of the distribution shall be made to a
5 nonprofit corporation or trust, the directors or trustees of which
6 shall serve without compensation except for reimbursement for
7 reasonable expenses, and which has as its sole purpose the
8 accumulation of endowment funds, the income on which shall be
9 distributed to qualified disabled jockeys.

10 (2) To receive a distribution under this subdivision, a corporation
11 or trust must establish objective qualifications for disabled jockeys,
12 and provide an annual accounting and report to the board on its
13 activities indicating compliance with the requirements of this
14 subdivision.

15 (3) The nonprofit corporation or trust shall, in an amount
16 proportional to the contributions received pursuant to this
17 subdivision as a percentage of the total contributions received by
18 the corporation or trust, give preference in assisting qualified
19 disabled jockeys to the following:

20 (A) Jockeys who were disabled while participating in the racing
21 or training of horses at licensed racing associations or approved
22 training facilities in California.

23 (B) Jockeys licensed by the board who were disabled while
24 participating in the racing or training of horses in a state other than
25 California.

26 (d) When the nonprofit corporation or trust described in
27 subdivision (c) has received distributions in an amount equal to
28 two million dollars (\$2,000,000), the distribution mandated by
29 subdivision (c) shall cease.

30 (e) In addition to the distributions pursuant to subdivisions (b)
31 and (c), a separate distribution may be made to a nonprofit
32 corporation or trust that has as its sole purpose the support of
33 recognized fairs or the network of California fairs.

34 SEC. 2. Section 19605.7 of the Business and Professions Code
35 is amended to read:

36 19605.7. The total percentage deducted from wagers at satellite
37 wagering facilities in the northern zone shall be the same as the
38 deductions for wagers at the racetrack where the racing meeting
39 is being conducted and shall be distributed as set forth in this

1 section. Amounts deducted under this section shall be distributed
2 as follows:

3 (a) (1) For thoroughbred meetings, 1.3 percent of the amount
4 handled by the satellite wagering facility on conventional and
5 exotic wagers shall be distributed to the racing association for
6 payment to the state as a license fee, 2 percent shall be distributed
7 to the satellite wagering facility as a commission for the right to
8 do business, as a franchise, and this commission is not for the use
9 of any real property, 0.54 percent shall be deposited with the
10 official registering agency pursuant to subdivision (a) of Section
11 19617.2 and shall thereafter be distributed in accordance with
12 subdivisions (b), (c) and (d) of Section 19617.2, 0.033 percent
13 shall be distributed to the Center for Equine Health, and 0.067
14 percent shall be distributed to the California Animal Health and
15 Food Safety Laboratory, School of Veterinary Medicine, University
16 of California at Davis. It is the intent of the Legislature that the
17 0.033 percent of funds distributed to the Center for Equine Health
18 shall supplement, and not supplant, other funding sources.

19 (2) (A) In addition to the distributions specified in paragraph
20 (1), for thoroughbred meetings, an amount not to exceed 4 percent
21 of the amount handled by the satellite wagering facility on
22 conventional and exotic wagers shall be distributed to an
23 organization described in Section 19608.2 with the mutual consent
24 of the racing association, the organization representing the
25 horsemen participating in the meeting, and the board from January
26 1, 2010, until December 31, ~~2019~~ 2016. However, the amount
27 shall be no less than that specified in subparagraph (B), and any
28 amount greater than the amount specified in subparagraph (B)
29 shall be approved by the board for no more than 12 months at a
30 time, and only upon a determination by the board that the greater
31 amount is in the economic interest of thoroughbred racing.

32 (B) Commencing January 1, ~~2020~~ 2017, an amount not to
33 exceed the amount of actual operating expenses, as determined by
34 the board, or 2.5 percent of the amount handled by the satellite
35 wagering facility on conventional and exotic wagers, whichever
36 is less, shall be distributed to an organization described in Section
37 19608.2.

38 (C) A request to the board for a distribution pursuant to
39 subparagraph (A) shall be accompanied by a report detailing all

1 receipts and expenditures over the two prior fiscal years of the
2 funds affected by the request.

3 (D) The racing association whose request pursuant to
4 subparagraph (A) has been approved by the board shall provide
5 subsequent quarterly reports of receipts and expenditures of the
6 affected funds if requested by the board.

7 (b) For harness, quarter horse, Appaloosa, Arabian, or mixed
8 breed meetings, 0.4 percent of the amount handled by the satellite
9 wagering facility on conventional and exotic wagers shall be
10 distributed to the racing association for payment to the state as a
11 license fee, for fair meetings, 1 percent of the amount handled by
12 the satellite wagering facility on conventional and exotic wagers
13 shall be distributed to the fair association for payment to the state
14 as a license fee, 2 percent shall be distributed to the satellite
15 wagering facility as a commission for the right to do business, as
16 a franchise, and this commission is not for the use of any real
17 property, and 6 percent of the amount handled by the satellite
18 wagering facility or the amount of actual operating expenses, as
19 determined by the board, whichever is less, shall be distributed to
20 an organization described in Section 19608.2. In addition, in the
21 case of quarter horses, 0.4 percent shall be deposited with the
22 official registering agency pursuant to subdivision (b) of Section
23 19617.7 and shall thereafter be distributed in accordance with
24 subdivisions (c), (d), and (e) of Section 19617.7; in the case of
25 Appaloosas, 0.4 percent shall be deposited with the official
26 registering agency pursuant to subdivision (b) of Section 19617.9
27 and shall thereafter be distributed in accordance with subdivisions
28 (c), (d), and (e) of Section 19617.9; in the case of Arabians, 0.4
29 percent shall be held by the association to be deposited with the
30 official registering agency pursuant to Section 19617.8, and shall
31 thereafter be distributed in accordance with Section 19617.8; in
32 the case of standardbreds, 0.4 percent shall be distributed for the
33 California Standardbred Sires Stakes Program pursuant to Section
34 19619; in the case of thoroughbreds, 0.48 percent shall be deposited
35 with the official registering agency pursuant to subdivision (a) of
36 Section 19617.2 and shall thereafter be distributed in accordance
37 with subdivisions (b), (c), and (d) of Section 19617.2; 0.033 percent
38 shall be distributed to the Center for Equine Health; and 0.067
39 percent shall be distributed to the California Animal Health and
40 Food Safety Laboratory, School of Veterinary Medicine, University

1 of California at Davis. It is the intent of the Legislature that the
2 0.033 percent of funds distributed to the Center for Equine Health
3 shall supplement, and not supplant, other funding sources.

4 (c) In addition to the distributions specified in subdivisions (a)
5 and (b), for mixed breed meetings, 1 percent of the total amount
6 handled by each satellite wagering facility shall be distributed to
7 an organization described in Section 19608.2 for promotion of the
8 program at satellite wagering facilities. For harness meetings, 0.5
9 percent of the total amount handled by each satellite wagering
10 facility shall be distributed to an organization described in Section
11 19608.2 for the promotion of the program at satellite wagering
12 facilities, and 0.5 percent of the total amount handled by each
13 satellite wagering facility shall be distributed according to a written
14 agreement for each race meeting between the licensed racing
15 association and the organization representing the horsemen
16 participating in the meeting. If, with respect to harness meetings,
17 there are funds unexpended from this 1 percent, these funds may
18 be expended for other purposes with the consent of the horsemen
19 and the racing association to benefit the horsemen, or the racing
20 association, or both, pursuant to their agreement. For quarter horse
21 meetings, 0.5 percent of the total amount handled by each satellite
22 wagering facility on races run in California shall be distributed to
23 an organization described in Section 19608.2 for the promotion
24 of the program at satellite wagering facilities, 0.5 percent of the
25 total amount handled by each satellite wagering facility on
26 out-of-state and out-of-country imported races shall be distributed
27 to the official quarter horse registering agency for purposes of
28 Section 19617.75, and 0.5 percent of the total amount handled by
29 each satellite wagering facility on all races shall be distributed
30 according to a written agreement for each race meeting between
31 the licensed racing association and the organization representing
32 the horsemen participating in the meeting.

33 (d) Additionally, for thoroughbred, harness, quarter horse, mixed
34 breed, and fair meetings, 0.33 percent of the total amount handled
35 by each satellite wagering facility shall be paid to the city or county
36 in which the satellite wagering facility is located pursuant to
37 Section 19610.3 or 19610.4.

1 (e) Notwithstanding any other law, a racing association is
2 responsible for the payment of the state license fee as required by
3 this section.

O